THIRD PRINCIPLE OF SOUND INVESTING

ACTIVE INVESTMENT MANAGEMENT REDUCES LONG-TERM PERFORMANCE
1. Most investment funds perform worse than the market index
2. Outperformance in the past is no indication for superior performance in the future
3. More and more investors choose passively managed index funds
4. Dynamic asset allocation may generate inferior long-term returns

A "major industry appears to be built largely on an *illusion of skill*… Professional investors, including fund managers, fail a basic test of skill: persistent achievement."
Daniel Kahnemann (Nobel Prize in Economics 2002), *Thinking, Fast and Slow*

Most investment funds perform worse than the market index

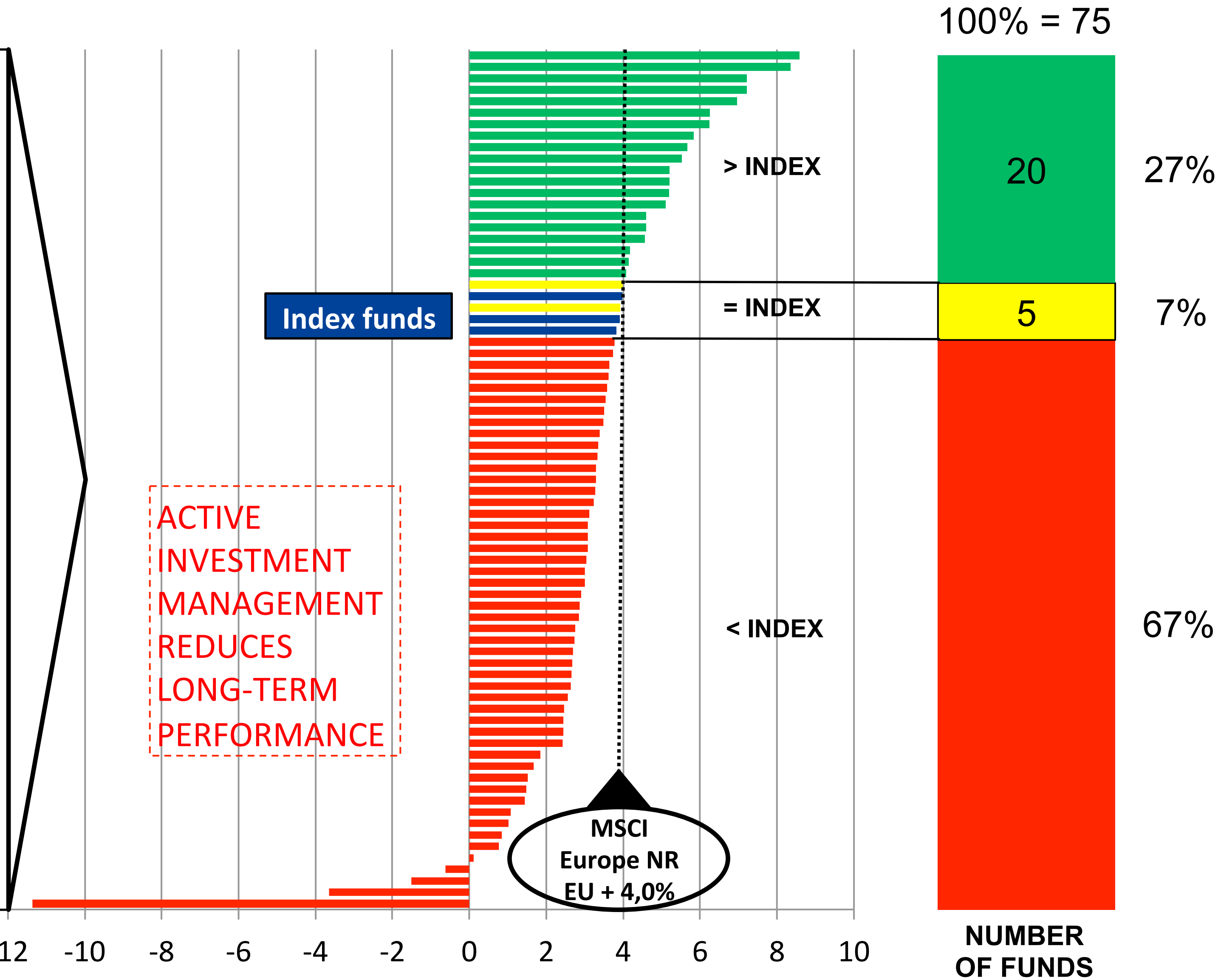
TOTAL RETURN EQUITY FUNDS EUROPE 2005-2012

In % p.a.

CRITERIA FOR FUND SELECTION

All funds (75) in the Morningstar Germany database that fulfill the following criteria:

- Morningstar Category: Europe Large-Cap Blend Equity
- Retail Investor Funds
- Distribution status: Accumulating
- First listed share class per fund
- Historical data for at least 10 years

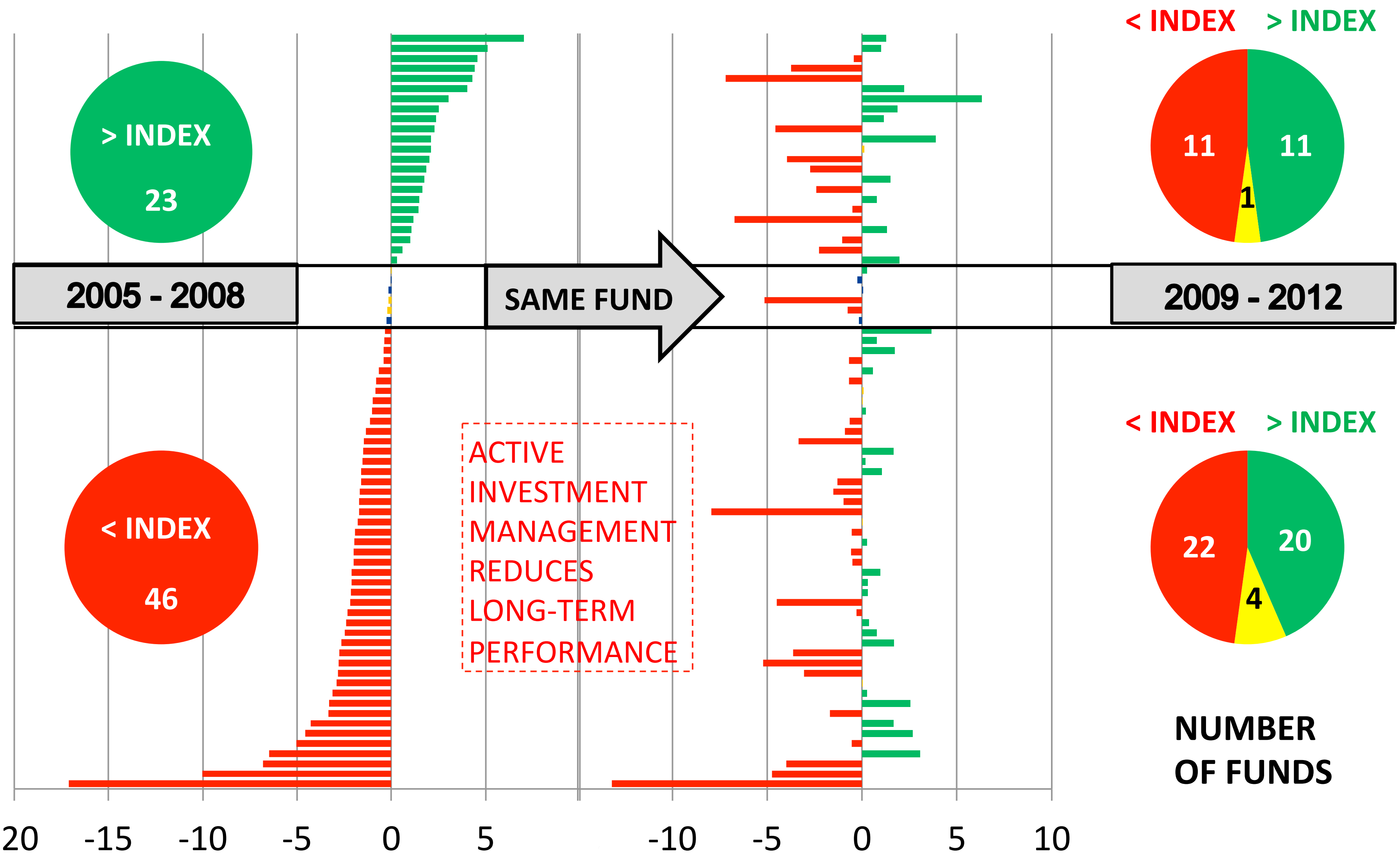


Source: Morningstar Germany

Outperformance in the past does not indicate better future performance

FUND RETURN MINUS INDEX RETURN (EQUITY FUNDS EUROPE)

In % points p.a.

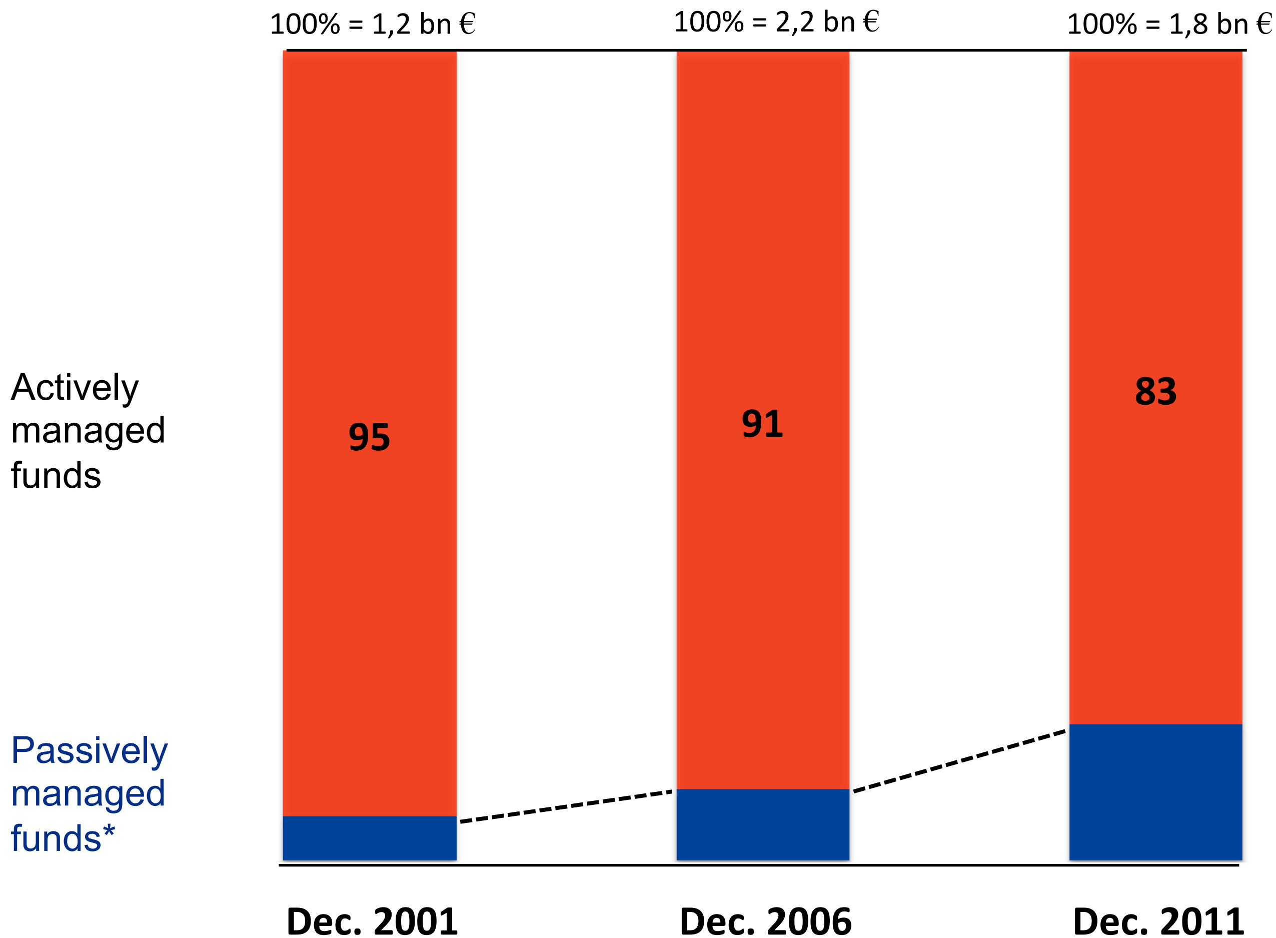


Source: Morningstar Germany

More and more investors choose passively managed index funds

BREAKDOWN OF EQUITY FUND ASSETS IN EUROPE

In %



"Clearly the support underpinning this success remains **institutional investors** and all eyes are open to see whether this investor base widens." (Lipper European Fund Market Review).

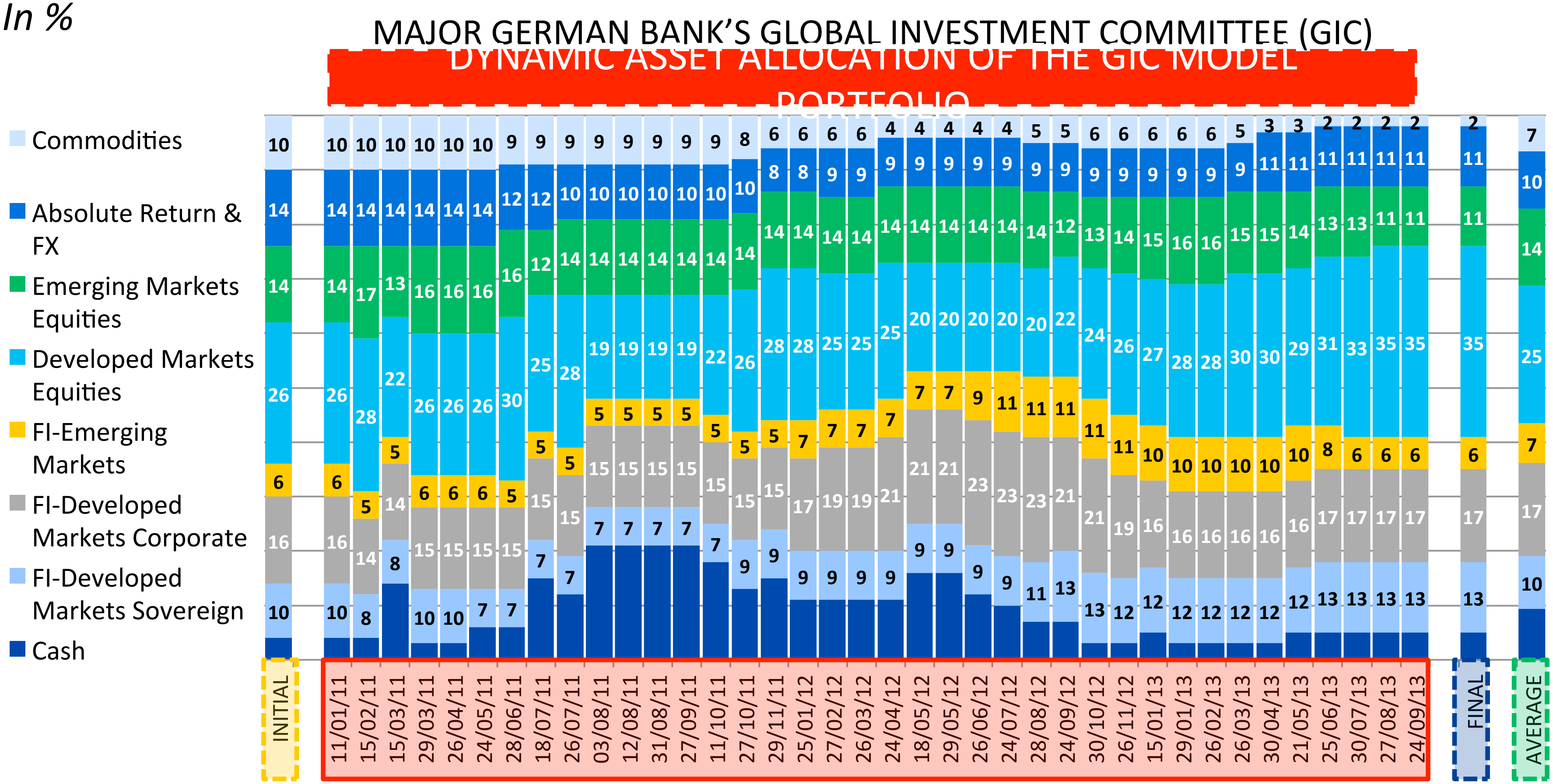
Source: Lipper European Fund Market Review 2012 edition, p. 8

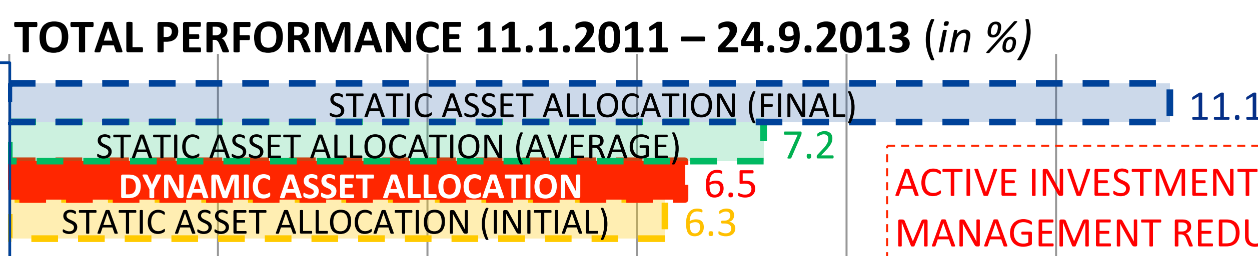
* Traditional index tracking funds and Exchange Traded Funds (ETFs)

Dynamic asset allocation may generate inferior long-term returns

TOTAL PERFORMANCE DYNAMIC VS. STATIC ASSET ALLOCATION

In %





Simulation with one representative ETF per asset class; rebalancing of all portfolios at each GIC meeting date

ACTIVE INVESTMENT MANAGEMENT REDUCES LONG-TERM PERFORMANCE

Source: Deutsche Asset & Wealth Management Investment Insights (various issues); onvista.de

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